



State of California

Franchise Tax Board

4905 Booklet
Bank and Corporation Taxes
Offer In Compromise

What you should know before preparing an Offer in Compromise

Are you an OIC Candidate?

The Offer in Compromise (OIC) program is for corporations that do not have, and will not have in the foreseeable future, the income, assets or means to pay their tax liability. It allows a corporation to offer a lesser amount for payment of a **non-disputed final tax liability**.

Generally, we approve an Offer in Compromise when **the amount offered represents the most we can expect to collect within a reasonable period of time**.

Although each case is evaluated based on its own unique set of facts and circumstances, we give the following factors strong consideration in the evaluation:

- Ability to pay
- Equity in the corporation's assets
- Present and future income
- Present and future expenses
- The potential for changed circumstances

Can We Process Your Application?

We will only process the Offer in Compromise application if you:

- Filed all of the required tax returns. If you have no filing requirement, note it on the application.
- Fully completed the Offer in Compromise application, and provided all supporting documentation.
- Agree with the Franchise Tax Board (FTB) on the amount of tax you owe.

Will a Collateral Agreement be Required?

Upon approval, we may require the corporation to enter into a collateral agreement for a term of five years. Generally, a collateral agreement will be required in cases when the corporation has significant potential for increased earnings. A collateral agreement requires a corporation to pay to FTB a percentage of future earnings that exceed an amount agreed upon by the corporation and FTB.

Is Collection Suspended?

In most cases, collection action will be suspended until the Offer in Compromise evaluation is completed. However, submitting an offer does not automatically suspend collection activity. If delaying collection activity jeopardizes our ability to collect the tax, we may continue with collection efforts.

When Should Offered Funds be Submitted?

You should not submit the offered funds until we request them. When we do ask for the funds, submit them by cashiers check or money order.



STATE OF CALIFORNIA
FRANCHISE TAX BOARD – OIC GROUP
PO BOX 2952
SACRAMENTO CA 95812-2952

OFFER IN COMPROMISE APPLICATION

The following documentation must be submitted with your Offer in Compromise Application or your application may be returned as incomplete. Please submit copies only. We will not return any documents that you send us. Indicate if any of the items below are not applicable. Additional documentation may be required and requested as the evaluation of the Offer in Compromise proceeds.

Check List of Required Items

- ☐ Income Statement. Balance Sheet.
- ☐ Bank Information:
 - Bank statements for all accounts held for the past twelve months.
 - Final statements for any accounts closed within the past two years.
- ☐ Current Lease or Rental Agreements.
- ☐ Real Property Information
Mortgage statements and escrow statements for property the corporation currently owns, sold, or gifted in the last five years.
- ☐ IRS Information
If applicable, copy of IRS OIC and acceptance letter or other IRS arrangements.
- ☐ Vehicle Information:
 - Copies of loan/lease statements for any vehicles.
- ☐ Power of Attorney
Power of attorney if this offer is submitted by a designated representative.

Mail your completed and signed application to:

Franchise Tax Board
Offer In Compromise Group H081
PO Box 2952
Sacramento CA 95812-2952

If you have questions other than those answered on the last page of this booklet, contact the Offer in Compromise program at (916) 845-4787.

State of California — Franchise Tax Board

Offer in Compromise

		Date
Name of Corporation		California Corporation Number
Address		Telephone Number
Corporate Officer/Director/Shareholder Name and Address		Federal Employer ID Number (FEIN)
Telephone Number	Title	
Corporation or Individual Assumer's Name and Address		
Telephone Number	California or Federal Identification Number	
Corporation's Representative Address		
Telephone Number	(Attach Power of Attorney)	

The undersigned submits this Offer in Compromise for payment of the California state tax liability shown below:

1. AMOUNT OWED

Tax Year(s) _____ Amount Due _____
(Include tax, interest, and penalties.)

2. OFFER

The sum of \$ _____ is offered in compromise.

If this Offer in Compromise is denied, the Franchise Tax Board is to:

_____ Retain any amounts deposited and credit it to the undersigned's liabilities.

_____ Return the amount deposited.

Offer in Compromise

3. SOURCE OF FUNDS

- a. Is all or part of the amount being offered a loan? ☐ Yes ☐ No

If yes, please provide the following information and attach a copy of the loan agreement.

Amount borrowed \$ _____

Name of lender _____

Lender's address _____

Lender's telephone number _____

- b. Is all or part of the amount being offered a gift? ☐ Yes ☐ No

If yes, please provide the following information:

Amount of gift \$ _____

Name of donor _____

Donor's relationship to the corporation _____

- c. Describe sources of offered funds other than those listed in a or b.

4. OWNERSHIP

List any individual or corporate owners with 25% or more interest in this corporation.

Name of Owner(s)	% Owned	Federal or State Corporation Identification No. (if applicable)

(Attach a separate sheet scheduling any parent or subsidiary corporation relationship.)

Offer in Compromise

5. BASIS FOR THE OFFER

The following facts and reasons are submitted as grounds for acceptance of this offer:

(If more space is needed, please attach additional pages.)

6. It is understood that this offer will be considered and acted upon in due course and that it does not relieve the corporation from the liability sought to be compromised unless and until the offer is accepted by the Franchise Tax Board and there has been full compliance with the terms of the agreement including any collateral agreement.
7. It is agreed that, except for any amounts deposited in connection with this offer, the Franchise Tax Board will keep all payments and other credits made to the account for the periods covered by this offer, and that the Franchise Tax Board will keep any and all amounts to which the corporation may be entitled under the Revenue and Taxation Code, due through overpayments of any tax, penalty or interest, for any periods ending before the end of the calendar year in which this offer is accepted.
8. It is further agreed that upon notice to the corporation of the acceptance of the offer, the corporation shall have no right to contest in court or otherwise the amount of the liability sought to be compromised. No liability will be compromised until all obligations of the corporation under the compromise agreement or collateral agreement are completely performed. In the event of a default by the corporation on the collateral agreement, it is agreed that the Franchise Tax Board may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability.

Under penalties of perjury, I declare that I have examined the information given in this statement and all other documents included with this offer and to the best of my knowledge and belief, it is (or they are) true, correct and complete.

Date of the Statement	Signature	Title

Bank and Corporation**California Statement of Financial Condition and Other Information – Part I**

Federal Form 433-B may be submitted in place of Part I of this form, however Part II must still be submitted.

Please furnish the information requested on this form along with the Offer in Compromise. It is important that all questions are answered. If a question does not apply, please enter N/A. This will expedite consideration of the offer.

1a. Name of Corporation	b. California Corporation Number
c. Corporate Address	d. Telephone Number

e. Trade or Business Name(s)	f. Business Address(es)	g. Business Telephone Number(s)	h. Type of Business(es)

2. Name of Representative	Daytime Telephone Number
Address	

*Provide Power of Attorney***3a. Bank accounts** *(Lists all types of accounts including payroll and general, savings, certificates of deposit, etc.) held during the past three years.*

Name of Institution	Address	Type of Account	Account Number	Balance
Total (Also enter in item 4.a.1)			▶	

b. Bank credit available *(Lines of credit, etc.)*

Name of Institution	Address	Credit Limit	Amount Owed	Credit Available	Monthly Payments
▶					

c. Location, box number, and contents of all safe deposit boxes rented or accessed.

Please furnish the most recent corporate financial information. In the columns below, show the cost and fair market value of each asset owned directly or indirectly. Also all interests in estates, trusts, and other property rights, including contingent interests and remainders.

4

Statement of assets and liabilities of _____
(date)

a.	Assets	Cost*	Fair market value
(1)	Cash	\$	
(2)	Cash surrender value of insurance (See item 5.)		
(3)	Accounts receivable (See item 7.)		
(4)	Notes receivable (See item 7.)		
(5)	Merchandise inventory (See item 8.)		
(6)	Real estate (See item 9.)		
(7)	Furniture and fixtures (See item 10.)		
(8)	Machinery and equipment (See item 10.)		
(9)	Trucks and delivery equipment (See item 11.)		
(10)	Automobiles (See item 11.)		
(11)	Securities (See item 12.)		
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			
(25)			
(26)			
(27)	Total Assets ▶	\$	\$
b.	Liabilities	Amount	
(1)	Loans on insurance (See items 5 and 6.)	\$	
(2)	Accounts payable		
(3)	Notes payable		
(4)	Mortgages (See item 9.)		
(5)	Accrued real estate taxes (See item 9.)		
(6)	Judgments (See item 13.)		
(7)	Reserves (itemized)		
(8)			
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)	Total Liabilities ▶	\$	

(*Less depreciation, if any.)

5. Life insurance policies now in force with right to change beneficiary reserved

Number of Policy	Name of Company	Amount of Policy	Present Cash Surrender Value Plus Accumulated Dividends	Policy Loan	Date Made	Automatic Premium Payments*	Date Made
a.		\$	\$	\$		\$	
b.							
c.							
d.							
e.							
f.							
g.							
h.							
i.							
j.							

6. Life insurance policies assigned or pledged on indebtedness

If any of the policies listed in item 5 are assigned or pledged on indebtedness, except with insurance companies, give the following information about each policy.

Number of Policy Assigned or Pledged	Name and Address of Pledgee or Assignee	Amount of Indebtedness	Date Pledged or Assigned
a.		\$	
b.			
c.			
d.			
e.			
f.			
g.			

7. Accounts and notes receivable

Name	Book Value	Liquidation Value	Amount of Indebtedness if Pledged	Date Pledged
a. Accounts Receivable				
(1)	\$	\$	\$	
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				
(11)				
(12) Total	\$	\$	\$	
b. Notes Receivable				
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				
(11) Total	\$	\$	\$	

8.

Merchandise inventory

Description	Cost	Fair Market Value	Liquidation Value	Amount of Indebtedness if Pledged	Date Pledged
a. Raw material	\$	\$	\$	\$	
b. Work in progress					
c. Finished goods					
d. Supplies					
e. Other (Specify)					
f. Total ▶	\$	\$	\$	\$	

9.

Real estate

Description	Cost	Fair Market Value	Balance Due on Mortgage	Date Mortgage Recorded	Unpaid Interest and Taxes
a.	\$	\$	\$		\$
b.					
c.					
d.					
e.					
f.					
g.					
h.					
i. Total ▶	\$	\$	\$		\$

10.

Furniture and fixtures — Machinery and equipment

Description	Cost*	Liquidation Value	Amount of Indebtedness if Pledged	Date Pledged
a. Furniture and fixtures (Business)	\$	\$	\$	
b. Machinery (specify kind)				
c.				
d.				
e.				
f. Equipment (Except trucks and automobiles.) (Specify)				
g.				
h.				
i.				
j. Total ▶	\$	\$	\$	

11.

Trucks and automobiles

a. Trucks	\$	\$	\$		
b.					
c.					
d.					
e.					
f.					
g. Automobiles					
h.					
i.					
j.					
k.					
l.					
m. Total ▶	\$	\$	\$		

(*Less depreciation, if any.)

12.

Securities (Bonds, stocks, etc.)

Name of Company	Number of Units	Cost	Fair Market Value	Amount of Indebtedness if Pledged	Date Pledged
a.		\$	\$	\$	\$
b.					
c.					
d.					
e.					
f.					
g.					
h.					
i. Total ▶		\$	\$	\$	\$

13.

Judgments

	Amount of Judgment	Date Recorded	Where Recorded
a.			
b.	\$		
c.			
d.			
e. Total ▶	\$		

14.

Affidavit

Under penalties of perjury, I declare that I have examined the information given in this statement and, to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that there are no assets, owned either directly or indirectly, or income of any nature other than as shown in this statement.

a. Date of this statement	b. Signature	c. Title

State of California — Franchise Tax Board

Bank and Corporation

California Statement of Financial Condition and Other Information — Part II

To be submitted with Part I of this form or with federal Form 433-B.

1. Statement of income — Corporation

IMPORTANT: Please furnish the information requested below (from income tax returns, as adjusted, for past 2 years and from records for current year from January 1 to date).

	19	19	Jan 1 to 19
a. Gross income			
(1) Gross sales or receipts (Subtract returns and allowances.)	\$	\$	\$
(2) Cost of goods sold			
(3) Gross profit — trading or manufacturing			
(4) Gross profit — from other sources			
(5) Interest income			
(6) Rents and royalties			
(7) Gains and losses (From Schedule D.)			
(8) Dividends			
(9) Other (Specify)			
(10) Total income	\$	\$	\$
b. Deductions			
(1) Compensation of officers	\$	\$	\$
(2) Salaries and wages (Not deducted elsewhere.)			
(3) Rents			
(4) Repairs			
(5) Bad Debts			
(6) Rents and royalties			
(7) Taxes			
(8) Losses			
(9) Dividends			
(10) Depreciation and depletion			
(11) Contributions			
(12) Advertising			
(13) Other (Specify)			
(14)			
(15) Total deductions	\$	\$	\$
c. Net income (loss)	\$	\$	\$
d. Nontaxable income	\$	\$	\$
e. Unallowable deductions	\$	\$	\$

2. Salaries paid to principal officers and dividends distributed — Corporation

IMPORTANT: Please show salaries paid to principal officers for past 3 years and amounts distributed in dividends. If any, during and since the taxable years covered by this offer.

a. Salaries paid to (Name and Title)		19	19	19
(1)	President	\$	\$	\$
(2)	Vice President			
(3)	Treasurer			
(4)	Secretary			
(5)				
(6)				
(7) Total		\$	\$	\$

b. Year	Dividends Paid	Year	Dividends Paid	Year	Dividends Paid
(1)	\$	(8)	\$	(15)	\$
(2)		(9)		(16)	
(3)		(10)		(17)	
(4)		(11)		(18)	
(5)		(12)		(19)	
(6)		(13)			
(7)	\$	(14)	\$	(20) Total	\$

3. Disposal of assets – From the beginning of the taxable period covered by this offer in compromise to the present date, has there been a disposition of any assets or property with a cost or fair market value of more than \$500, except for full value at the time of sale, transfer, exchange, gift or other disposition?

☐ No ☐ Yes (If yes, please furnish the following information.)

Description of Asset	Date of Transfer	Fair Market Value When Transferred	Consideration Received	Relationship of Transferee to Taxpayer
		\$	\$	

4. Are there any other assets or an interest in assets either actual or contingent, other than those listed here?

☐ No ☐ Yes (If yes, please describe the assets.)

5a. Are foreclosure proceedings pending on any real estate which the corporation owes or has an interest in? <input type="checkbox"/> No <input type="checkbox"/> Yes	b. If yes, please give location of real estate.	c. Was the government made a party to the suit? <input type="checkbox"/> No <input type="checkbox"/> Yes
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6a. Are bankruptcy or receivership proceedings pending? <input type="checkbox"/> No <input type="checkbox"/> Yes	b. Is it in process of liquidation? <input type="checkbox"/> No <input type="checkbox"/> Yes
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7. What is the prospect of an increase in value of assets or in present income? (Please give general statement.)

8. Documentation

You must submit the following documentation with your offer. Your offer will be denied if you do not submit all the required documentation.

a. Bank information:

- Bank statements for all accounts held for the past twelve months.
- Final statements for any accounts closed within the past two years.

b. Lease(s) or rental agreement(s):

- Copies of lease(s)/rental agreement(s) either as landlord or tenant.

c. Vehicle information:

- Copies of loan/lease statements for any vehicles.

d. Offers in compromise to the IRS:

- Copies of any offers in compromise made to the IRS.
- Copies of any correspondence from the IRS indicating what action they have taken on the offer to date.

e. Real property:

- Copy of the most recent statement for each loan.
- Copy of any listing contracts for property currently listed for sale.
- Copies of deeds and any related documents for any real property sold, given away or foreclosed upon in the past five years.

9. Affidavit

Under penalties of perjury, I declare that I have examined the information given in this statement and, to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that there are no assets, owned either directly or indirectly, or income of any nature other than as shown in this statement.

a. Date of this statement	b. Signature	c. Title

Questions and Answers

Q What does the Franchise Tax Board consider a fair offer in relation to the amount due?

A Generally, we will accept an offer when the amount offered is more than we can expect to collect within a reasonable period of time.

Q How long will it take to get a decision on my OIC?

A Generally, if we accept your offer for processing, we will have a decision to you within 90 days after receiving your offer. If the account is more complex, it may take longer than 90 days.

Q What is the collateral agreement?

A This is a contractual agreement between the corporation and the State of California, where the state agrees not to pursue collection of amounts owed it by the corporation in exchange for a pledge of a percentage of corporate income that is in excess of a specified amount. The collateral agreement is in conjunction with an Offer in Compromise and is generally for a period of five years.

Q Can I make payments on the offered amount?

A No, we require full payment of the offered amount at the time the offer is submitted for approval.

Q Can prior payments be applied to the offered amount?

A No, prior payments are not accepted towards the offered amount. However, prior payments and the offered amount compared to the total liability are taken into consideration when evaluating your offer.

Q My IRS OIC has been accepted. Will the FTB automatically approve my offer?

A No, we will evaluate your California offer without regard to your IRS offer. Generally, if the amount of the offer represents the most that we can expect to collect within a reasonable period of time, we will accept your offer.

Q If the Franchise Tax Board determines that my offer is not acceptable, will I be contacted?

A In most cases, we will contact you to discuss your account and to determine the most appropriate resolution. For example, if we determine that the corporation has the ability to make monthly payments which will exceed the amount offered, we will work with you to establish an installment agreement.

Q If my offer is approved, will the corporation have to sign a collateral agreement?

A If the corporation has limited potential for increased earnings, we will generally not require a collateral agreement.

Q Will state tax liens be released if the offer is accepted?

A Generally, we release state tax liens upon final approval of your Offer in Compromise.

Q Do I need to have someone represent me?

A No. You may have representation if you prefer, but it is not required.

Q Can I get relief from the tax liability by filing bankruptcy?

A Part or all of the corporation taxes may be dischargeable under the bankruptcy code. If this is a consideration, you may want to seek legal advice.

